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Digital Banking Adoption Process By Rural Customer

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Abstract

Significant factors influencing the buying intention for digital banking include Performance Expectancy, indicating users adopt digital banking for performance improvement; Effort Expectancy, highlighting the importance of ease of use, particularly for less tech-savvy individuals; and Facilitating Conditions, where infrastructure like internet access supports adoption. Hedonic Motivation suggests that enjoyment from using apps affects engagement. Price Consideration plays a role, with users favoring cost-effective options. Conversely, Perceived Risk negatively impacts intent due to concerns over security, while Perceived Trust remains a strong positive predictor for user adoption. Notably, Social Norms do not significantly affect adoption, indicating a trend towards personal financial decisions over peer influence in Thiruvarur distrct.

Keywords – Social Norms , Digital banking, Facilitating Conditions

1.INTRODUCTION

Cybersecurity and data privacy are significant concerns for Indian banks, which face increased phishing, ransomware, and data breaches. User awareness is weak, and many individuals fall prey to social engineering scams. Smaller banks lag in cybersecurity infrastructure, and inadequate data protection laws leave personal information vulnerable. Connectivity issues highlight a digital divide between urban and rural areas, compounded by limited device access and digital illiteracy among older populations. Technical glitches and frequent banking app downtimes frustrate customers, while compliance issues slow down onboarding in the rapidly evolving fintech landscape. Financial fraud, especially through UPI and fake loan apps, is rising, with many victims fearing reporting. A lack of interoperability between digital platforms leads to transaction difficulties, and automated customer support is often inadequate. Vulnerable groups face additional barriers due to app accessibility challenges, and over-reliance on platforms like NPCI increases systemic risks. Finally, many users lack basic financial literacy, underscoring the need for structured educational initiatives in digital banking.

2.THEORETICAL BACKGROUND OF THE STUDY

UTAUT2 provides a framework for understanding user acceptance and behavior regarding technology through seven constructs: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Conditions (FC), Hedonic Motivation (HM), Price Value (PV), and Habit (HT). In the context of digital banking in India, these constructs can be explained as follows: PE refers to the improvement in financial tasks through digital banking; EE concerns the ease of learning and using digital services; SI highlights the effect of social networks on adoption; FC focuses on resource availability; HM emphasizes the enjoyment derived from using these services; PV relates to perceptions of costs versus benefits, and HT speaks to the habitual nature of usage. Research topics stemming from this framework include examining UPI adoption determinants, the impact of rural conditions on digital banking, gender differences in mobile banking adoption, and the influence of gamification on Gen Z's fintech engagement. UTAUT2 effectively aids banks and policymakers in comprehending and enhancing digital banking adoption across diverse demographics.

Apau, Titis and Lallie (2025) demonstrate that performance expectancy, facilitating conditions, risk, and trust are significant predictors of digital banking usage. Furthermore, behavioral intentions fully mediate the relationship between these predictors and actual usage. This research holds several practical implications. Aristides Papathomas, Konteos and Giorgos Avlogiaris. (2025) Behavioral Drivers of AI The identified predictors, can enable providers to enhance their offerings and meet customer expectations, and recognition of behavioral intentions being a mediator highlights the importance of understanding customers' intentions and motivations to encourage favorable usage behavior; financial institutions can better promote the adoption and sustained usage of digital banking services. Balakrishnan and Shuib (2021). The analysis primarily utilizes extended TAM and extended UTAUT models, identifying key variables such as social influence, security perception, risk perception, trust, and perceived usefulness. Future research should explore biometric authentication, payment flexibility, and contactless payments, while businesses should focus on creating more intuitive interfaces. Asif, Wang, Shahzad and Ashfaq (2024). Findings reveal that information, system, and service quality impact satisfaction, with system and service quality significantly affecting trust and satisfaction. Trust is vital for satisfaction but does not moderate the link between satisfaction and loyalty, and the digital banking experience further shapes perceptions of security, privacy, and satisfaction. Chang, Chan and Hsieh (2025) Most constructs of the baseline UTAUT2 were validated in the m-banking context, with the additional constructs confirmed to affect user intention to adopt m-banking apps, except perceived risk. The model explained 79% of the variance in behavioural intention (BI), and 54.7% in use behaviour (UB), achieving higher fit than the baseline UTAUT2. Age, gender, experience, income, and education moderated the impact of perceived security and institutional trust on BI; age, education, and experience moderated technology trust on BI; and age, gender, and experience moderated perceived security on UB.

Rahman, Hew Pow Yee, Kaium and Hossain (2024).The guarantee of enhanced security, advanced privacy mechanisms, and trust should be considered paramount in future strategies aimed at promoting m-banking app adoption and use. Overall, the paper advances scientific knowledge by providing a more nuanced and comprehensive framework for understanding m-banking app adoption, validating new constructs, and offering practical recommendations for promoting m-banking usage.Chauhan, Akhtar and Gupta (2022) results highlight the strong relevance of constructs such as Performance Expectancy, Effort Expectancy, and Hedonic Motivation, whereas Social Influence was deemed non-significant, reflecting a pragmatic stance toward AI. Demographic factors like gender and age were found to have no significant moderating effect, challenging traditional stereotypes. However, occupation and education emerged as significant moderators, indicating varying attitudes among professions and educational levels. This study is the first to develop a theoretical framework for AI adoption by Greek banking institutions, offering Greek banking practitioners' actionable insights. The findings also hold relevance for countries with similar digital maturity levels, aiding broader AI integration in banking.Chen, Jia and Wu (2023) study utilized a quantitative approach integrating the Unified Theory of Acceptance and Use of Technology (UTAUT) and Diffusion of Innovation Theory (DIT) to analyze factors affecting digital technology adoption. Findings suggest that effort expectancy, compatibility, observability, and trialability significantly influence adoption intentions, offering valuable insights for policymakers to enhance digitalization in waqf activities globally.Lakshmanan

and Nagarajan Shanmugavel. (2025). Digital payment encompasses all electronic financial transactions, while mobile payment specifically refers to transactions conducted via mobile devices, such as mobile wallets and QR code payments. Notably, while all mobile payments fall under the digital payment category, these terms are not interchangeable. Research using structured equation modeling identified factors like Ease of Use and Innovativeness that influence users' readiness to adopt cashless payments.Rahman, Hew Pow Yee, Kaium and Hossain (2024). However, perceived readiness alone does not directly spur the adoption of digital payment services; risk and intrinsic motivation play crucial mediating roles. The findings can guide service providers, financial institutions, and government agencies in promoting digital payment acceptance.

3.RESEARCH METHODOLOGY

Research Design The present study adopts a descriptive research design to investigate the effects of digital marketing on the purchase of various lifestyle goods. This design is appropriate for gaining insights into consumer behaviour and preferences in a structured and quantifiable manner.

Sampling Design The study employs a sampling random technique, selecting respondents based on their accessibility and willingness to participate. A total of 120 respondents from thiruvarur district, Tamil Nadu, were chosen for the survey. The respondents are individuals who use digital platforms to purchase lifestyle goods or services.

Data Collection Methods

Primary Data: Primary data was collected through a structured questionnaire using a direct survey method. Respondents were personally approached and asked to provide responses to pre-designed questions related to their digital buying behavior.

Secondary Data:Secondary data was collected from various published and credible sources, including the internet, journals, periodicals, newspapers, and research articles, to supplement the primary findings and support the theoretical framework of the study.

Sample Size The sample size for the study is 140 respondents who actively use digital banking.

3.1Statistical Application - Measured Structural Equation Model (MSEM) is used to test the hypotheses (AMOS version 25)

Hypotheses of the study

H1) Performance expectancy significantly influences the use digital banking buying intention

H2) Effort expectancy significantly influences digital banking buying intent

H3) Social norms significantly negatively influence online digital banking buying intent

H4) Facilitating condition significantly influences digital banking buying intent

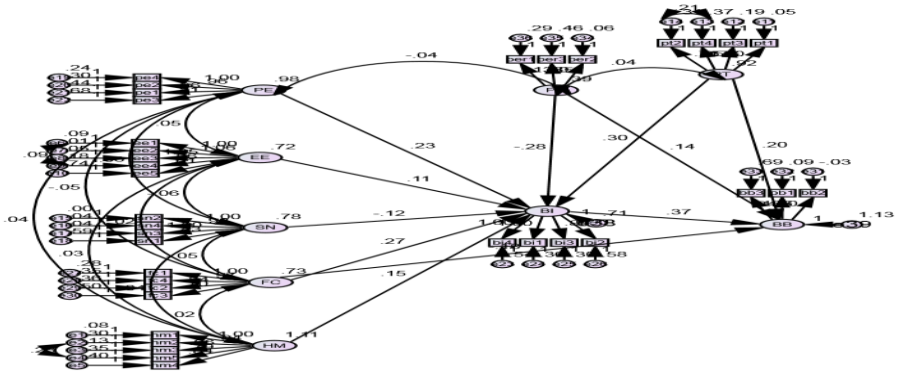
H5) Hedonic motivation significantly influences the digital banking buying intent

H6) Price consider significantly influences the digital banking buying intent

H7) Perceived risk significantly negatively influences the digital banking buying intent

H8) Perceived trust significantly negatively influence digital banking buying intent

3.2 Measured Structural Equation Model (MSEM) The hypotheses test in MSEM and SEM, based on two endogenous (buying intention and buyer behavior) and seven exogenous (performance expectancy, (ii) effort expectancy, (iii) social influence, and (iv) facilitating conditions, (v) hedonic motivation (vi) perceived risk and (vii) perceived trust.)



Source: primary data (Output generated by AMOS graphic 21version)

Table 1 - Measured Structural Equation Model result

S.no	Hypotheses	Endogenous variables < Exogenous variables	**Estimate (β)**	**S.E.**	**C.R.**	**P-value**	**Result**
H1	Performance expectancy significantly influences digital banking buying intention	Buying Intent ← Performance Expectancy	0.232	0.071	3.283	**0.001**	✅ Supported
H2	Effort expectancy significantly influences digital banking buying intention	Buying Intent ← Effort Expectancy	0.110	0.077	2.418	**0.0456**	✅ Supported
H3	Social norms significantly negatively influence digital banking buying intention	Buying Intent ← Social Norms	-0.119	0.074	-1.603	0.109	❌ Not Supported
H4	Facilitating conditions significantly influence digital banking buying intention	Buying Intent ← Facilitating Condition	0.265	0.084	3.173	**0.002**	✅ Supported
H5	Hedonic motivation significantly influences digital banking buying intention	Buying Intent ← Hedonic Motivation	0.145	0.063	2.292	**0.022**	✅ Supported
H6	Price consideration significantly influences digital banking buying intention	Buying Intent ← Price Consideration	0.285	0.084	3.133	**0.000**	✅ Supported
H7	Perceived risk significantly negatively influences digital banking buying intention	Buying Intent ← Perceived Risk	-0.284	0.133	-2.134	**0.033**	✅ Supported
H8	Perceived trust significantly influences digital banking buying intention	Buying Intent ← Perceived Trust	0.304	0.071	4.275	*** (p***)	✅ Supported

Results and interpretation

Performance Expectancy (H1):
Users are more inclined to adopt digital banking if they believe it improves their performance or convenience.

Effort Expectancy (H2):
Ease of use plays a role, especially for users who may not be highly tech-savvy.

Facilitating Conditions (H4):
Infrastructure support, like internet access and mobile banking tools, directly contributes to digital banking adoption.

Hedonic Motivation (H5):
Enjoyment or positive experience from using digital banking apps influences user engagement.

Price Consideration (H6):
Users are more willing to use digital banking if they find it cost-effective or perceive economic value (e.g., no transaction fees, discounts, rewards).

Perceived Risk (H7):
As expected, perceived risk negatively affects digital banking buying intent. Users concerned about data security, fraud, or misuse are less likely to use digital platforms.

Perceived Trust (H8):
Trust is the strongest positive predictor, indicating that users are highly influenced by their confidence in the system's security and reliability

Social Norms (H3):
Peer pressure or influence from others does not significantly impact digital banking adoption. This might reflect growing individual independence in financial decisions, especially in urban or digitally literate populations. The results provide strong evidence that performance expectancy, effort expectancy, facilitating conditions, hedonic motivation, price consideration, perceived risk, and trust all significantly influence digital banking buying intention among users in Thiruvarur district . Only social norms did not show a significant impact, suggesting that digital banking is more of a personal decision than one driven by social influence in the studied context.

3.3Conclusion

Significant factors influencing the buying intention for digital banking include Performance Expectancy, indicating users adopt digital banking for performance improvement; Effort Expectancy, highlighting the importance of ease of use, particularly for less tech-savvy individuals; and Facilitating Conditions, where infrastructure like internet access supports adoption. Hedonic Motivation suggests that enjoyment from using apps affects engagement. Price Consideration plays a role, with users favoring cost-effective options. Conversely, Perceived Risk negatively impacts intent due to concerns over security, while Perceived Trust remains a strong positive predictor for user adoption. Notably, Social Norms do not significantly affect adoption, indicating a trend towards personal financial decisions over peer influence in Thiruvarur distrct.

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